COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1669-13
Bill No.: SCS for HCS for HB 780
Subject: Economic Development; Enterprise Zones; Business and Commerce.
Type: Original
Date: May 10, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	$5,905,878 to (Unknown)	$5,904,096 to (Unknown)	$5,856,144 to (Unknown)
Total Estimated Net Effect on All State Funds*	**$5,905,878 to (UNKNOWN)**	**$5,904,096 to (UNKNOWN)**	**$5,856,144 to (UNKNOWN)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government*	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**

*** Subject to voter approval**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 16 pages.

FISCAL ANALYSIS

ASSUMPTION

Section 67.1300 - Allows sales guest tax in Caldwell County;

In response to similar legislation from this year, officials from **Caldwell County** stated that a 1/2 cent sales tax imposed in the county would generate roughly $120,000 in revenue per year.

Officials from the **Department of Revenue (DOR)** assume as long as the local sales taxes remain within the city/county lines, there will be no administrative impact to the Department.

Officials from the **Department of Economic Development (DED)** assume this part of the proposal authorizes a local sales tax for Caldwell County and would have no fiscal impact on their agency.

Oversight assumes, pending voter approval in 2001, the sales tax may be effective January 1, 2002.

Section 67.1360 - Allows transient guest tax in Newton County;

In response to similar legislation from this year, officials from **Newton County** stated that currently, two communities (Joplin and Neosho) within their county already have sales taxes on transient guests. They could not provide Oversight with a fiscal estimate.

In response to similar legislation, officials from the **DOR** assumed this tax will be collected by the local government and will not have an administrative impact.

DED assumes this part of the proposal allows Newton County to impose a local sales tax on sleeping rooms for tourism and would have no fiscal impact on their agency.

Oversight assumes this part of the proposal, subject to voter approval, would have an unknown positive fiscal impact to Newton County.

Section 135.150 - Credit for New or Expanded Business Facility;

DED assumes this part of the proposal changes the New/Expanding Business Facility Tax Credit Program from an uncapped entitlement program to an annual cap of $4 million. The DED anticipates a savings of $4 million annually for the Business Facility Credit

ASSUMPTION (continued)

Section 135.200 - Expansion of "Revenue-producing enterprise" for enterprise zones;

DED states this part of the proposal adds classifications (hotels and motels) that qualify for Enterprise Zone benefits in Salem, MO, but only for local abatement. No fiscal impact on DED

In response to similar legislation from this year, officials from the **City of Salem** stated with passage of this legislation, a new 65 room hotel facility will probably be built in their community. The City of Salem estimates the annual revenues from this facility for the city, including sales tax and increased property taxes would be roughly $11,521. The City of Salem also estimates that gross water and electric revenues for this new facility would be roughly $60,000 to the City.

Oversight assumes the state will not be fiscally impacted from this part of the legislation. Oversight also assumes the local taxing and governing authorities may grant an exemption (in whole or in part) of property taxes to this new hotel after holding the required public hearings on the matter, therefore, has estimated the local impact as zero.

Section 135.205 - Increase in allowable population in enterprise zones not within a metropolitan statistical area from 20,000 to 25,000;

In response to similar legislation from this year, officials from the **Department of Economic Development (DED)** stated this amendment would increase the allowable size of the population in enterprise zones in non-metropolitan statistical areas from 20,000 to 25,000. The DED assumed this increase in population allowable will increase the number of credits and income modifications for enterprise zones. The number of enterprise zones is capped by law, so additional zones would not be generated from this legislation, however, the DED estimates that one zone per year would expand beyond 20,000 inhabitants and this proposal would generate additional credits being taken by businesses within those zones.

The DED estimated the fiscal impact of this legislation as $47,952 for each year on a cumulative basis. Therefore, the proposed legislation is estimated to cost $47,952 in FY 2002, $95,904 in FY 2003, and $143,856 in FY 2004. The DED assumes they will not need additional resources to implement this proposed legislation.

The DED stated there is an average of 8.41 businesses per zone (530 businesses / 63 zones) receiving benefits. The DED assumes that 20% of these, or 1.68 new businesses per zone will now qualify for the credit and that only one zone per year would expand when that one zone per year would increase beyond 20,000 inhabitants. Multiplying the new 1.68 businesses per year by

ASSUMPTION (continued)

the average of $28,500 of benefits received by each business, the proposal is estimated to result in an additional $47,952 in tax credits per year.

Oversight assumes the proposed legislation will not result in additional enterprise zones since the number is capped at 63. However, the proposal will result in additional businesses qualifying for the tax credits in non-metropolitan areas in areas that are expanded beyond 20,000 inhabitants.

Section 135.230 - Harley Davidson plant in Kansas City;

DED states this part of the proposal changes the residency requirements for Enterprise Zone credits. This part of the bill is the same as FN 1886-01. However, DED has re-evaluated this original response. DED originally predicted a $0 to $200,000 impact. DED now projects the impact to be $0. This change in response from 1886-01 is based on additional input from the cycle manufacturer impacted by the NAICS code.

Oversight also assumes the expansion of the employees who count toward the residency requirement at the Harley Davidson plant in Kansas City may have a fiscal impact on the state and have used DED's original response.

Section 135.400 -135.423 - Tax Credit for Investments in Missouri Small Businesses;

DED states Section 135.400 changes principal ownership designation from 50% to 35% for Capital Tax Credit, which would not fiscally impact their agency. DED also states Section 135.403 would cost $4 million per year for 10 years as well as reduces carry forward to 5 years and changes transfers. DED also states Sections 135.408, 135.411, 135.423 make other changes to the Capital Tax Credit, but creates no new fiscal or administrative costs.

Section 135.460 - Youth Opportunities and Violence Protection Act;

DED states this part of the proposal expands activities for Youth Opportunities program in distressed communities only; credits becomes transferable. DED states this program is capped at $6 million per year, so there would be no fiscal impact to their agency.

ASSUMPTION (continued)

Section 135.478 & 135.481 - Expands the definitions of "eligible residence", "new residence" and "project" as well as adds a definition for "central business district". Also increases the allowable percentage of costs from fifteen to twenty;

Oversight assumes this part of the proposal simply adds projects that qualify for the tax credit, but does not change the $16 million cap for the program, therefore have assumed no fiscal impact from this part of the proposal.

Section 135.484 - Allows the reallocation of any unused tax credits for rehabilitation and construction of residences in distressed communities and census blocks;

DED states this part of the proposal allows reallocation of Neighborhood Preservation Tax Credits and would not fiscally impact their agency.

In response to similar legislation from this year, DED stated that in calendar year 2000, the entire $8,000,000 in "qualifying residence" program credits were utilized, while $5,000,000 (out of $8,000,000) in "eligible residence" program credits were utilized, leaving $3,000,000 in tax credits not utilized.

Oversight assumes 70% of the unused tax credits, $2,100,000 (70% x $3,000,000) could be shifted to be utilized by the other program. Since 2000 was the first year of the program, there is not enough historical data to determine if only $5,000,000 of the $8,000,000 in "eligible residence" program credits would be utilized consistently, therefore, Oversight has ranged the impact of this proposal to $0 (reflecting all $8,000,000 in each program would be utilized before a reallocation) to a negative $2,100,000 impact to state revenues.

Section 135.487 - Allows projects involving the construction or rehabilitation of more than one residence to apply for and receive the credit piecemeal;

Oversight assumes this part of the proposal would not have a fiscal impact on the state.

Section 135.500 to 135.527 - CAPCO program;

DED states this part of the proposal adds authority for an allocation of tax credits for investments in CAPCOs totaling $40 million. The credits are taken over a period of ten years ($4 million per year). A revision of the current rules and regulations for the CAPCO program would need to be

ASSUMPTION (continued)

undertaken by DED. DED approves the CAPCOs and authorizes the tax credits to the investors. This requires DED to set up a standard set of guidelines for the CAPCOs to follow during the process. There is then daily monitoring of the program, including approving investments in the qualified small businesses, collecting quarterly reports, and making sure the necessary reporting is completed. The DED would be required to administer and oversee the additional credits.

DED assumes the need for an Economic Development Incentive Specialist II (at $37,488 annually) and a Clerk Typist II (at $20,472 annually) to administer changes to the CAPCO program. These people will conduct the additional work created by the additional credits. DED estimates the total costs for these two FTE would be roughly $120,000 per year.

Oversight assumes the Department of Economic Development could use resources saved from the reduction of the Family Development Account as well as the Individual Training Account Program to help administer the additional $40,000,000 in CAPCO tax credits and therefore, will not require the additional FTE requested for that program. This additional amount will be the fourth round of CAPCO tax credits administered, bringing the total credits authorized to $180,000,000. Since many of the same investors participate in each round of tax credits, DED's efforts to collect reports, monitor investments, etc. is aided by having fewer contacts with similar investments.

In response to similar legislation from this year, officials from the **Department of Agriculture** state this part of the proposal would not fiscally impact their agency.

Officials from the **Department of Insurance** state this part of the proposal makes various changes to the CAPCO tax credits, including caps and reallocations, which would result in an unknown cost.

Section 135.530 - Expands definition of "distressed communities";

DED states this part of the proposal changes the definition of distressed community. Most programs with credits for activities in distressed communities are capped so this change will have no fiscal impact on those programs, but the new or expanding business facility tax credit, an uncapped entitlement program, awards enhanced credits for businesses in distressed communities. DED is unable to ascertain the fiscal impact the addition of new areas to the distressed communities definition would have on the program.

ASSUMPTION (continued)

Section 135.535 - Tax Credits for Investment in, or Relocating a Business to, a Distressed Community;

DED states this part of the proposal lowers the cap on Rebuilding Communities from $10 million to $7.5 million, saving $2.5 million annually. DED assumes the other changes to the section have no fiscal impact.

Section 135.545 - Tax Credits for Investment in the Transportation Development of a Distressed Community;

DED states this part of the proposal lowers the cap on Transportation Development Tax Credit from $10 million to $7.5 million, saving $2.5 million per year.

Section 208.770 - Family Development Account (FDA);

The **DED** states this change reduces the FDA credits from $4 million to $2 million per year. A savings of $2 million per year.

Section 348.302 - Tax Credit for Contributions to Innovation Centers;

In response to similar legislation from this year, **DED** stated this credit (not to be confused with New Enterprise Creation Act passed in 1999) changes the $9 million cumulative cap to an annual cap of $2 million (for distressed communities). The DED stated that of the $9 million cap, $171,580 has not been allocated, therefore, DED assumed an annual cost of $2 million per year.

Section 447.700 - Abandoned Property, Redevelopment Projects;

In response to similar legislation from this year, officials from the **Department of Natural Resources (DNR)** stated this part of the proposal would expand the definition of allowable costs to include the demolition of any building or structure which is located on the site of an abandoned or underutilized property to be included in the cost of an eligible project. DNR assumes the proposed changes apply to uncontaminated structures. DNR would not have to provide oversight of the demolition of the structure; however, the program would do a preliminary review of the site to verify the site is not contaminated.

ASSUMPTION (continued)

DNR assumes there would not be a significant number sites expanding their projects to include buildings or structures located on abandoned or underutilized properties. At this time, DNR does not anticipate the need to request additional resources as a result of this proposal. If the number of brownfield sites expanding their projects exceeds our expectations, there may be a need to request additional resources.

DNR assumes the participant will have to demonstrate that hazardous substances are not contained within or beneath the structure. This demonstration could be made in the documents DNR reviews during their preliminary review, if the documents are comprehensive enough. However, if the initially reviewed documents are not comprehensive and leave some doubt as to whether hazardous substances are within or beneath the structure, then DNR would ask that additional investigations be conducted.

DNR also estimates the review time to approve the project, as illustrated above, is apt to vary depending on the adequacy of the data submitted. If only a preliminary review is necessary, the review time would be approximately 6 hours for each review. If review beyond the preliminary review is needed, the review time could increase to approximately 16 hours. DNR does not anticipate being significantly impacted by these provisions. However, if the number of sites exceeds DNR's expectations, they need to request additional resources.

DNR has the authority to cost recover any cost associated with reviewing the demolition tax credit. The associated cost for a six hour review is approximately $400 (ES III salary $3308 x 12 months/2080 annual hours=$19.08 x 3.5 multiplier=$66.78 hrly rate x 6 hours). The associated cost for a 16 hour review is approximately $1,068 (ES III salary $3308 x 12 months /2080 annual hours=$19.08 x 3.5 multiplier=$66.78 hrly rate x 16 hours). The amount of increased revenues depends on the number of demolition tax credits DNR reviews and the amount of time to review each. Since DNR does not know the number of applications that would be submitted or the amount of time it would take to review, the amount of increased revenues would be unknown.

DED states this part of the proposal changes the brownfield program to specifically include demolition as an allowable cost for projects in the City of Washington at a one-time cost of $125,000.

Oversight has ranged the fiscal impact from this part of the proposal from $0 to (Unknown) to account for the possible additional allowable costs related to demolition of any building or structure which is located on the site of an abandoned or underutilized property in Franklin County.

ASSUMPTION (continued)

Section 178.892, 620.470, 620.474 - Job Training Development;

In response from similar legislation from this year, officials from the **Department of Economic Development**, **Department of Higher Education**, **Department of Elementary and Secondary Education**, and the **Department of Labor and Industrial Relations** each assumed this proposal would not fiscally impact their respective agencies.

Oversight assumes the revision of the Community College training program (RSMo 178) would expand the companies available to apply for assistance through the program. Currently certificates are sold by community colleges and are in effect paid off through a dedication of part of withholding tax on new employees' salaries. The DED stated that currently there is a cap on the total outstanding certificates of $55 million (which is set by the Missouri Job Training Joint Legislative Oversight Committee), of which $22 million is not issued. Part of the $22 million is committed to companies as incentive to relocate to Missouri, leaving roughly $10 million in available certificates. This cap is on outstanding certificates, therefore, it is a constantly changing number with older certificates being paid off as well as new certificates being issued. Oversight assumes the expansion of this program will allow additional companies to qualify for the program. Oversight has ranged the amount of cost from $0 to (unknown). Oversight acknowledges the creation of new jobs could result in additional tax revenue to the state. However, it would be difficult to assess whether the creation of the jobs would be a direct result of this program. For purposes of this fiscal note, unknown costs have been stated for the retirement of additional certificates.

Oversight also assumes the proposal would expand the Missouri Job Development program (RSMo 620) by allowing companies that are not in the manufacturing industry to apply for the grants from the Department of Economic Development. According to DED, last year $15 million was appropriated for this program. $50 million in requests were received from 539 projects. Only 396 projects were approved. The total amount appropriated for this program currently is $20 million. It is assumed this proposal would result in more projects competing for funds which are already insufficient to fulfill requests.

Section 620.1450 - Individual Training Account;

DED states, with this part of the proposal, the Individual Training Account (ITA) Program is reduced from $6 million per year to $1 million per year resulting in a $5 million savings.

Section 1 - Recreational Facility Tax Credit;

The **DOR** states because this is a new tax credit, modifications to the systems will be needed in order to process the tax credit. Although DOR anticipates the number of taxpayers eligible for the credit will be minimal, the changes to the system are the same as a highly utilized credit. Therefore, DOR estimates it will take 1,384 hours of contract labor at a cost of $46,170 in order to make those changes.

The **DED** assumes this part of the proposal adds a recreational facility tax credit program for Vernon County, and assumes the cost to be $10,000 for FY 2002 only.

Oversight assumes this tax credit is not limited to FY 2002, and has estimated a fiscal impact of $0 to ($10,000) for each year in the fiscal note.

Overall, officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms as well as transfer existing rules to implement this bill. SOS estimates the division could require approximately 10 new pages of regulations in the Code of State Regulations at a cost of $27.00 per page, and 15 new pages in the Missouri Register at a cost of $23.00 per page. Costs due to this proposal would be $615, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Overall, officials from the **Department of Revenue (DOR)** did not anticipate a significant increase in the number of new tax credits filed. Therefore, the DOR will not request additional FTE at this time. However, if DOR is incorrect in this assumption, they will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004

GENERAL REVENUE

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
Savings - Credit for New or Expanded Business Facility *(Section 135.100)*	$4,000,000	$4,000,000	$4,000,000
Costs - Tax credits for new businesses within an enterprise zone, expanded from 20,000 to 25,000 *(Section 135.205)*	($47,952)	($95,904)	($143,856)
Costs - Business Facility Tax Credits for Harley Davidson plant *(Section 135.230)*	$0 to ($200,000)	$0 to ($200,000)	$0 to ($200,000)
Costs - Tax Credit for Investments in Missouri Small Businesses *(Section 135.400 - 135.423)*	($4,000,000)	($4,000,000)	($4,000,000)
Costs - Reallocation of Neighborhood Assistance Tax credits. *(Section 135.484)*	$0 to ($2,100,000)	$0 to ($2,100,000)	$0 to ($2,100,000)
Costs - Certified Capital Company Program *(Section 135.503)*	($4,000,000)	($4,000,000)	($4,000,000)
Costs - Expansion of definition of "distressed community" *(Section 135.530)*	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Savings - Tax Credit for Investment in, or Relocating a Business to, a Distressed Community *(Section 135.535)*	$2,500,000	$2,500,000	$2,500,000
Savings - Tax Credit for Transportation Development of a Distressed Community *(Section 135.545)*	$2,500,000	$2,500,000	$2,500,000
Savings - Family Development Account Program *(Section 208.770)*	$2,000,000	$2,000,000	$2,000,000
Costs - Tax Credit for Contributions to Innovation Centers *(Section 348.302)*	($2,000,000)	($2,000,000)	($2,000,000)

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
Costs - Demolition Tax Credits (Section 447.700)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Costs - withholding tax revenues used for the Community College job training program(Sections 178.892, 620.470 & 620.474)	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Savings - Individual Training Account Program (Section 620.1450)	$5,000,000	$5,000,000	$5,000,000
Costs - DOR programming charges for recreational facility tax credit (Section 1)	($46,170)	$0	$0
Costs - Recreational Facility Tax Credit (Section 1)	$0 to ($10,000)	$0 to ($10,000)	$0 to ($10,000)
ESTIMATED NET EFFECT TO GENERAL REVENUE ACCOUNT	**$5,905,878 to (Unknown)**	**$5,904,096 to (Unknown)**	**$5,856,144 to (Unknown)**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
CALDWELL COUNTY			
Revenue - sales tax* *(Section 67.1300)*	$0 to $60,000	$0 to $120,000	$0 to $120,000
NEWTON COUNTY			
Revenue - sales tax on transient guests* *(Section 67.1360)*	$0 to Unknown	$0 to Unknown	$0 to Unknown

* Subject to voter approval

FISCAL IMPACT - Small Business

This proposal would fiscally impact small businesses that qualify for and receive investments from the Certified Capital Companies or qualify for various other tax credits.

DESCRIPTION

This substitute does the following:

(1) Allows the residents of Caldwell County to impose a sales tax of up to one-half of one percent, pending voter approval (Section 67.1300);

(2) Allows the residents of Newton County to impose a hotel/motel sales tax in addition to any transient guest tax currently in effect of between 2% and 5% (Section 67.1360);

(3) Changes participation requirements regarding the Credit for New or Expanded Business Facility for participants commencing operations on or after January 1, 2001 (Section 135.100);

(4) Expands the definition of a "revenue-producing enterprise," as it relates to enterprise zones, to include airports, flying fields and terminal services as well as hotel and motel activities in the City of Salem, but limits the tax credits or abatements available to only local taxes (Section 135.200);

(5) Increases the maximum population of enterprise zones not located in a metropolitan area from 20,000 inhabitants to 25,000 (Section 135.205);

(6) Allows any employee of a new business facility with the North American Industry Classification System Number 336991 to be considered a resident of an enterprise zone, even if the employee ceases to live in an enterprise zone, as long as the following conditions are met:

1. The individual was a resident of an enterprise zone for one calendar month prior to and three months after his employment with the new NAICS 336991 business facility;
2. The individual remains employed with the new NAICS 336991 business facility, and;
3. The individual continues to reside in Missouri.

An NAICS 336991 business relates to motorcycles, bicycles, and parts (Section 135.230);

(7) Makes several changes to the Tax Credit for Investments in Missouri Small Businesses, including changing the definitions for "Community development corporation", "principal owners" and "target area", as well as changing the tax credit cap from a $13 million cumulative cap (with $4 million of that going to businesses in distressed communities) to an annual cap of $4 million (with $2 million of that going to businesses in distressed communities). Other changes include raising the percentage of the business that an investor must own after the

DESCRIPTION (continued)

investment from fifty percent to sixty-five percent, reducing the number of years that a qualified investment must remain in the Missouri small business from five years to three years, and stating that any revocation of this tax credit by the Department of Economic Development shall only apply to the original applicant for the tax credit and not a good faith subsequent purchaser thereof. (Section 135.400 - 135.423);

(8) Expands eligible activities and programs for the Youth Opportunities and Violence Protection Act (Section 135.460);

(9) Expands the definitions of "eligible residence", "new residence" and "project" as well as adds a definition for "central business district" used in the tax credit for rehabilitation and construction of residences in distressed communities and census block. The proposal also increases the eligible tax credit from 15 to 20 percent of costs incurred for a new residence (Section 135.478 & 135.481).

(10) Revises two tax credit programs. Under current law, of the $16 million in community improvement tax credits allowed, $8 million are to be allocated for "eligible residence" programs and $8 million for "qualifying residence" programs. The substitute states that if, by October 1 of the calendar year, the Director of the Department of Economic Development has issued all $8 million of the credits allowed for one of these programs and not the entire $8 million allowance for the other program, the director is required to reallocate 70% of any unused tax credits from the program which has not reached its $8 million cap to the one which has. The reallocated credits will be given to taxpayers who have applied for, but have not received, tax credits in that same year and who are engaged in projects in the area where the tax credit cap has been met for that same year. The maximum reallocated tax credit for any project cannot exceed $500,000 (Section 135.484);

(11) Adds that projects involving the new construction, rehabilitation or substantial rehabilitation of more than one residence qualifying for the tax credit for rehabilitation and construction of residences in distressed communities may be submitted with one application. Also tax certificates may be approved upon completion for each individual residence rather than delaying until substantial completion of the entire project (Section 135.487).

(12) Adds the definition of "Certified capital investment", "Qualified debt instrument", "Qualified Missouri agriculture business" and updates the definitions of "Affiliate of a Certified Company", "Qualified Distribution", "Qualified Investment" and "Qualified Missouri Business" within the CAPCO program. The proposal also adds new restrictions regarding participants in the CAPCO program, the securities they may invest in, keeping the business within Missouri and reporting annually to the Department of Economic Development (Section 135.500);

DESCRIPTION (continued)

(13) The proposal adds an additional $4 million (per year) in tax credits available for investments in distressed communities and states that the cumulative total tax credits authorized in the Certified Capital Company Program shall no more than $140 million (Section 135.503);

(14) The proposal makes various other changes to the CAPCO program, such as CAPCO certification requirements, investment options, requirement of qualified Missouri businesses to remain in Missouri, additional reporting procedures, and adding qualified Missouri agriculture businesses to available investment options for the new round of CAPCO credits (Section 135.500 - Section 135.527).

(15) Expands the definition of a "distressed community" (Section 135.530);

(16) Makes various changes to the Tax Credits for Investments in or Relocating a Business to a Distressed Community (Section 135.535)

(17) Changes the amount of Credits for Investing in Transportation Development of a Distressed Community from an $10 million to $7,500,000 per year (Section 135.545);

(18) Reduces the limit on tax credits relating to the Family Development Account Program from $4 million to no more than $2 million per year (Section 208.770);

(19) Changes the Tax Credit for Contributions to Innovation Centers from a $9 million aggregate cap to a $2 million annual cap (Section 348.302);

(20) Changes the definition of "allowable costs" for redevelopment and remediation projects to include demolition of any building or structure which is located on the site of an abandoned or underutilized property within Washington in Franklin County (Section 447.700);

(21) Changes the definition of an "industry" which may receive assistance from the Job Development Fund to include a consortium of entities organized to provide common training to the member entities' employees. The Basic Industry Retraining Program is expanded to support all new investment, not just capital investment (Sections 178.892, 620.470, 620.474);

(22) Reduces the limit on tax credits relating to the Individual Training Account Program from $6 million to no more than $1 million annually (Section 620.1450); and

(23) Adds a $10,000 tax credit for the owner of a recreational facility for improvements made to the facility (Section 1).

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Department of Insurance
Department of Agriculture
Department of Natural Resources
Department of Higher Education
Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
Office of the Secretary of State
Caldwell County
Newton County
City of Salem

NOT RESPONDING: Christian County Clerk, Greene County Clerk

Jeanne Jarrett, CPA
Director

May 10, 2001